



# Department of Financial Institutions

{ 2008  
Annual Report }



Supervising Kentucky's Financial Industry for 96 Years

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# Mission Statement

“The Department of Financial Institutions’ mission is to serve Kentucky residents by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.

## VISION

The department will:

- Be a leader in developing and implementing sound public policies
- Be an effective, proactive, credible and respected regulatory agency
- Be a leader in educating and protecting the investing, depositing and borrowing public
- Encourage capital formation and economic development
- Achieve a work environment that encourages career opportunities, professional development and equitable compensation
- Be responsive to emerging industry trends and issues, and implement appropriate strategies

## VALUES

The DFI and its employees have a tradition of outstanding public service. Seven core values guide our employees to fulfill the department’s mission and vision:

### *Effective and Efficient Operation:*

We will wisely use the resources entrusted to us by the Commonwealth to ensure maximum output is achieved for each dollar invested.

### *Responsibility:*

We accept the serious nature of the tasks (or duties) entrusted to us, and we are willing to be held accountable for the actions we choose.

### *Professionalism:*

We will provide quality services, which will be achieved through excellence, accountability, innovation and a highly skilled workforce.

### *Integrity:*

We will act honestly, fairly and impartially.

### *Teamwork:*

We will achieve organizational goals through open, responsive communication and cooperation with co-workers, other state government agencies and federal regulatory authorities.

### *Respect:*

We will be sensitive to the viewpoints and efforts of others, and we will strive to meet the needs of all of our stakeholders.

### *Initiative:*

We will identify potential issues that may impact the financial services industry, formulate appropriate solutions and proactively respond to change.

PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS



Dear Gov. Stephen L. Beshear,

As commissioner of the Kentucky Department of Financial Institutions (DFI), I am both honored and pleased to present the 2008 Annual Report. The following pages contain statistical and historical information regarding the financial services industry in Kentucky.

Financial times in 2008 have been characterized as difficult, unprecedented and tumultuous. This is particularly true for the financial services industry. The year included the failure of several well-established companies, a significant unsettling of the historically stable housing market, the introduction of the terms “toxic” and “legacy” assets, and the discovery of several multi-billion dollar fraud schemes. The disruptions in the housing market have led to one of the longest recessions in recent United States history which, in turn, has had a tremendous impact on the global economy.

Despite these challenges, the financial institutions operating in the Commonwealth have continued to provide growth opportunities and economic solutions within their communities. While national news headlines have reported that banks have stopped lending, the total loans and total assets of state-chartered banks in Kentucky have increased during the past year. From Dec. 31, 2007, to Dec. 31, 2008, total loans increased from about \$28.3 billion to about \$29.8 billion, and total assets increased from about \$39.4 billion to almost \$41.8 billion. In addition, capital ratios continue to reflect well-capitalized levels, and earnings performance declined only moderately during 2008.

The state-chartered credit unions produced similar results, and total assets increased \$153 million during 2008. Credit union capital ratios also remain strong, and earnings have declined only moderately during the year.

The securities division has worked diligently to ensure investment companies, broker-dealers and investment advisers operate legally and ethically. The DFI has worked closely with local and federal law enforcement agencies to obtain convictions of individuals who were operating outside of the legal requirements. We participated in the national settlement relating to auction rate securities, which will result in investment companies paying over \$1 million in fines in Kentucky in 2009. Going forward, the DFI will dedicate additional resources to enhance financial literacy in the state to help protect residents of Kentucky from becoming victims of fraud.

In 2008, licensing declined somewhat for mortgage companies (decreased by 52) and mortgage brokers (decreased by 122). However, the mortgage industry remains strong in Kentucky, and the DFI closely regulates its activities. Passed in the 2008 session, House Bill 552 tightened mortgage standards in Kentucky by capping broker fees, modifying HUD-exemption rules and requiring processors to become licensed, among other things. Additional changes are coming. House Bill 106, passed in the 2009 session, will bring Kentucky laws into compliance with the requirements of the new Federal S.A.F.E. Act, which includes additional consumer protection initiatives. Another bill that will bring changes in 2009 is House Bill 444, changing regulations of the payday lending industry.

While these are difficult economic times, your administration has the ability to lead the Commonwealth through this recession and to oversee the economic expansion that will follow. The DFI will fulfill its mission to provide effective and efficient regulatory oversight of the financial industry in Kentucky, to promote consumer confidence, and to encourage economic opportunities.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles A. Vice".

Charles A. Vice, Commissioner



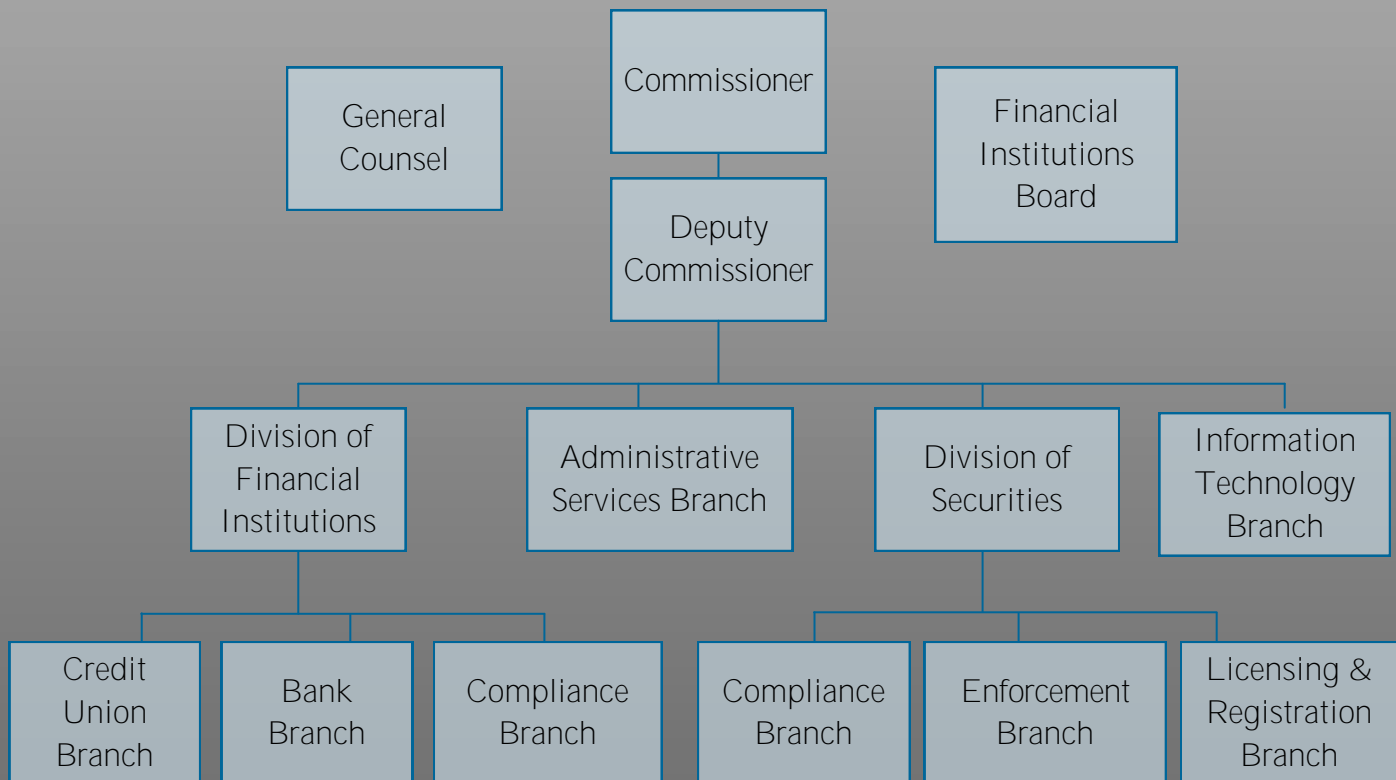
# Commissioners 1912-2008

Year	Commissioner (Title was Executive Director from 2004-2007)	Governor
1912	Thomas J. Smith	James B. McCreary
1916	George G. Speer	Augustus O. Stanley
1920	James Lewis	Edwin P. Morrow
1924	Charles E. Marvin	William J. Fields
1928	O. S. Denny	Flem D. Samson
1930	C. S. Wilson	Flem D. Samson
1931	J. R. Dorman	Ruby Laffoon
1935	Hiram Wilhoit	A. B. Chandler
1939	Hiram Wilhoit	Keene Johnson
1943	Hillard H. Smith	Simeon S. Willis
1948	Henry H. Carter	Earle C. Clements
1951	Henry H. Carter	Lawrence W. Wetherby
1955	R. E. Glenn	Lawrence W. Wetherby
1956	S. Albert Phillips	A. B. Chandler
1958	Earle B. Combs	A. B. Chandler
1960	H. A. Rogers	Bert T. Combs
1964	H. A. Rogers	Edward T. Breathitt
1965	G. D. Beach	Edward T. Breathitt
1968	E. G. Adams	Louie B. Nunn
1971	Lenvil R. Hall	Wendell H. Ford
1971	Perry R. Miller (Acting)	Wendell H. Ford
1973	Howard T. Sallee	Wendell H. Ford
1975	John Williams Jr.	Julian M. Carroll
1980	Randall L. Attkisson	John Y. Brown Jr.
1982	Foster Pettit (Acting)	John Y. Brown Jr.
1983	Morris R. Smith	John Y. Brown Jr.
1983	Tracy Farmer (Acting)	John Y. Brown Jr.
1983	Neil Welch (Acting)	John Y. Brown Jr.
1983	Leonard B. Marshall	John Y. Brown Jr.
1984	Ballard W. Cassady Jr.	Martha Layne Collins
1986	Thomas B. Miller	Martha Layne Collins
1988	Edward B. Hatchett Jr.	Wallace G. Wilkinson
1992	Edward B. Hatchett Jr.	Brereton C. Jones
1994	Edward J. Holmes (Acting)	Brereton C. Jones
1995	J. Rick Jones (Acting)	Brereton C. Jones
1996	Larry D. Lander	Paul E. Patton
1997	Ella D. Robinson (Acting)	Paul E. Patton
1998	Arthur L. Freeman	Paul E. Patton
1999	Ella D. Robinson	Paul E. Patton
2004	Tom B. Miller	Ernie Fletcher
2005	Cordell G. Lawrence	Ernie Fletcher
2007	Cordell G. Lawrence	Steven L. Beshear
2008	Charles A. Vice	Steven L. Beshear

# History

DFI traces its origin to the Banking Act of 1912, which established the agency initially as the Department of Banking. It was charged with enforcing all laws relating to banks, trust companies, savings banks and combined bank and trust companies organized and doing business under Kentucky laws. The legislature mandated supervision of state-chartered savings (building) and loan associations in 1918 and added state-chartered credit unions in 1922. When oversight of the state's securities industry was given to the agency in mid-1932, the agency was renamed the Department of Banking and Securities. Over the years, other regulatory responsibilities were added, including consumer and industrial loan companies in 1946, companies that sell money orders in 1966, mortgage loan companies and brokers in 1980 and check-cashing companies in 1992. As the agency's scope increased over the years to include other types of financial institutions, its organizational structure and name changed as well, from the Department of Financial Institutions in 1984 to the Office of Financial Institutions in 2004. The name changed back to Department of Financial Institutions with a cabinet reorganization in 2008.

## Organizational Structure



# Financial Institutions Board

The Financial Institutions Board is a statutory body that serves in an advisory capacity to the governor and the commissioner of the Department of Financial Institutions. The board consists of representatives of all segments of Kentucky's financial industry and the public at large and is chaired by the commissioner. The definition of the board's duties can be found in KRS 286.1-013.



The Financial Institutions Board met on Oct. 9, 2008, in Lexington. Left to right are: Whitney Taylor Greer-Stokes, Alla Sue Holland, Kevin Walsh, Charles Beach III, William David Michael, William Edward Hesch, Charles Vice, Robert Stafford Jr. and Monti Rhea Collins.

## Chairman

Charles A. Vice  
Commissioner  
Department of Financial Institutions

Katherine Reese Capps  
Pineville, Ky.  
Appointed Dec. 10, 2007  
Term Expires Oct. 10, 2011

## Public at Large

Monti Rhea Collins  
Benton, Ky.  
Appointed Dec. 5, 2005  
Term Expires Oct. 10, 2009

## Banking Industry

Charles Beach III  
Beattyville, Ky.  
Appointed Dec. 10, 2007  
Term Expires Oct. 10, 2011

Christopher Lee Wooldridge  
Murray, Ky.  
Appointed March 14, 2006  
Term Expires Oct. 10, 2008

Jack Martin Goins  
Lexington, Ky.  
Appointed Oct. 17, 2006  
Term Expires Oct. 10, 2008

Whitney Taylor Greer-Stokes  
London, Ky.  
Appointed Sept. 22, 2005  
Term Expires Oct. 10, 2008

## Consumer Finance

Robert I. Stafford Jr.  
Corbin, Ky.  
Appointed Oct. 9, 2006  
Term Expires Oct. 10, 2010

William Edward Hesch  
Taylor Mill, Ky.  
Appointed Dec. 5, 2005  
Term Expires Oct. 10, 2009

William David Michael  
Louisa, Ky.  
Appointed Feb. 28, 2005  
Term Expires Oct. 10, 2008

## Credit Union Representative

Alla Sue Holland  
Fort Wright, Ky.  
Appointed Oct. 9, 2006  
Term Expires Oct. 10, 2010

## Securities Industry

Kevin P. Walsh  
Walton, Ky.  
Appointed Dec. 10, 2007  
Term Expires Oct. 10, 2011

# Administrative Services Branch

Employees in the Administrative Services Branch provide administrative support to the department in the following areas:

- Facilities management: Frankfort office and field offices in Eddyville, Bowling Green, Louisville and Lexington
- Fiscal management
- Operations and quality control
- Records management
- Staff development: coordinating employee training, continuing education and examiner certification programs
- Budgeting
- Revenue and expenditure analysis
- Personnel

As with many state agencies, DFI had several employees retire due to the retirement window that ended during fiscal year 2009. DFI is successfully transitioning the duties of those employees to existing or new employees. Our emphasis continues to be on recruiting and retaining qualified candidates to maintain uninterrupted delivery of services to the industry and the public.



A primary agency goal is to hire, train and maintain a highly informed and capable staff. One of the ways the department seeks to accomplish this goal is through staff development by identifying training needs, developing and delivering agency specific training, coordinating and/or sharing training and education resources with other state and federal agencies, and assuring equal access to continuing education and training opportunities for all employees. Through continued innovation and open communication, the department is hopeful its past accomplishments will carry forward into the future and enable this agency to become second to none in terms of staff development through training, continuing education and career development opportunities. Also, DFI maintains a presence at many career days and job fairs.

As it has for many years, the department maintains a toll-free telephone number. Consumers and industry representatives wanting to speak with a member of the agency's staff are encouraged to call 800-223-2579 with their questions and concerns. Information for consumers, regulated industries and the general public also is available on the department's Web site at [www.kfi.ky.gov](http://www.kfi.ky.gov). Business hours are from 8 a.m. to 5 p.m. Eastern time at our central department located at 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.



# Division of Financial Institutions

The Division of Financial Institutions was created by executive order reorganizing the agency, effective June 12, 1997. The division is responsible for licensing, chartering and regulating the activities of state-chartered/licensed depository and non-depository financial institutions. The division's responsibilities are strategically divided among three branches: Banking, Credit Unions and Compliance.

## 96<sup>th</sup> ANNUAL BANKING REPORT

The national economy suffered a marked decline in 2008 as evidenced by the current recession. Despite the financial crisis in the banking industry, Kentucky banks fared relatively well. There were no bank failures in the state and the number of problem state-chartered financial institutions rose at a slower rate than other parts of the country. Problem banks during this past year are characterized by deterioration in asset quality, primarily as a result of the depressed real estate market and compression of the net interest margins as a result of decline in interest rates.

The financial condition of Kentucky state banks continues to be sound. During 2008, Kentucky banks reported a return on assets (ROA) of 0.76 percent compared to 1.02 percent in 2007. This decline was primarily the result of an increase in loan and security losses. Net loan losses in 2008 increased to 0.42 percent from 0.25 percent in 2007. Banks reporting gains in earnings declined in 2008, with approximately 34 percent of the banks showing increases over the previous year, as compared to 2007, when 48 percent of the banks reported earnings increases. The level of non-performing loans increased in 2008, mirroring the decline in the economy and collapse of the real estate market. Core capital (leverage) continues to be satisfactory at 9.37 percent.

In 2008 one de novo bank application was approved for Bluegrass Community Bank, Danville. Hilliard Lyons Trust Company LLC, Louisville, an independent trust company, was chartered. One national bank converted to a state charter, and six state-chartered banks merged with other banks as part of acquisitions or corporate reorganizations.

# State-Chartered Banks

## Annual Consolidated Statement of Assets

YEAR	TOTAL ASSETS	YEAR	TOTAL ASSETS
Sept. 4, 1912 .....	\$110,096,102.83	June 30, 1961 .....	1,416,812,042.56
Sept. 3, 1913 .....	112,556,338.09	June 30, 1962 .....	1,539,385,203.23
Sept. 12, 1914 .....	110,516,100.67	June 30, 1963 .....	1,682,807,021.85
Nov. 10, 1915 .....	110,068,034.26	June 30, 1964 .....	1,798,326,242.98
Aug. 17, 1916 .....	120,217,111.75	June 30, 1965 .....	1,932,620,428.05
Sept. 7, 1917 .....	152,490,422.93	June 30, 1966 .....	2,157,183,512.81
Sept. 5, 1918 .....	175,361,452.29	June 30, 1967 .....	2,490,156,359.19
Sept. 5, 1919 .....	213,365,256.47	June 30, 1968 .....	2,703,101,033.03
Sept. 13, 1920 .....	227,231,768.46	June 30, 1969 .....	3,067,136,736.70
June 30, 1921 .....	220,117,518.15	June 30, 1970 .....	3,259,015,862.86
June 30, 1922 .....	222,284,937.92	June 30, 1971 .....	3,793,329,845.00
June 30, 1923 .....	257,447,342.36	June 30, 1972 .....	4,277,132,990.00
June 30, 1924 .....	260,394,024.52	June 30, 1973 .....	4,973,878,479.44
June 30, 1925 .....	269,730,816.68	June 30, 1974 .....	5,696,240,528.60
June 30, 1926 .....	278,619,057.34	June 30, 1975 .....	6,300,190,296.19
June 30, 1927 .....	308,521,323.67	June 30, 1976 .....	6,550,032,000.00
June 30, 1928 .....	341,300,174.09	June 30, 1977 .....	7,431,081,000.00
June 30, 1929 .....	385,559,868.28	June 30, 1978 .....	8,371,752,000.00
June 30, 1930 .....	364,849,233.33	June 30, 1979 .....	9,507,372,000.00
June 30, 1931 .....	295,881,257.76	June 30, 1980 .....	10,700,084,000.00
June 30, 1932 .....	248,031,078.12	June 30, 1981 .....	11,968,250,000.00
June 30, 1933 .....	231,577,905.49	June 30, 1982 .....	12,878,728,000.00
June 30, 1934 .....	239,624,124.68	June 30, 1983 .....	13,724,157,000.00
June 30, 1935 .....	229,781,437.48	June 30, 1984 .....	15,171,523,000.00
June 30, 1936 .....	250,997,016.66	June 30, 1985 .....	16,448,822,000.00
June 30, 1937 .....	270,699,778.60	June 30, 1986 .....	17,869,731,000.00
June 30, 1938 .....	252,251,968.59	June 30, 1987 .....	19,709,513,000.00
June 30, 1939 .....	266,594,369.49	June 30, 1988 .....	20,984,582,000.00
June 30, 1940 .....	273,977,674.22	Dec. 31, 1988 .....	22,103,771,000.00
June 30, 1941 .....	297,360,610.22	Dec. 31, 1989 .....	23,570,033,000.00
June 30, 1942 .....	340,903,872.17	Dec. 31, 1990 .....	25,058,852,000.00
June 30, 1943 .....	477,658,367.10	Dec. 31, 1991 .....	24,145,642,000.00
June 30, 1944 .....	578,775,786.77	Dec. 31, 1992 .....	23,932,903,000.00
June 30, 1945 .....	904,485,435.10	Dec. 31, 1993 .....	24,825,281,000.00
June 30, 1946 .....	941,787,755.13	Dec. 31, 1994 .....	26,860,360,000.00
June 30, 1947 .....	898,858,508.44	Dec. 31, 1995 .....	26,765,509,000.00
June 30, 1948 .....	932,808,480.54	Dec. 31, 1996 .....	28,414,146,000.00
June 30, 1949 .....	933,714,814.70	Dec. 31, 1997 .....	24,975,052,000.00
June 30, 1950 .....	953,843,874.72	Dec. 31, 1998 .....	25,811,929,000.00
June 30, 1951 .....	1,002,285,106.04	Dec. 31, 1999 .....	26,800,458,000.00
June 30, 1952 .....	1,081,217,820.20	Dec. 31, 2000 .....	29,135,528,000.00
June 30, 1953 .....	1,125,336,205.82	Dec. 31, 2001 .....	31,473,451,000.00
June 30, 1954 .....	1,167,432,270.01	Dec. 31, 2002 .....	28,554,384,000.00
June 30, 1955 .....	1,211,811,536.25	Dec. 31, 2003 .....	29,188,172,000.00
June 30, 1956 .....	1,220,534,082.10	Dec. 31, 2004 .....	32,945,550,000.00
June 30, 1957 .....	1,294,391,352.88	Dec. 31, 2005 .....	34,654,113,000.00
June 30, 1958 .....	1,383,757,204.28	Dec. 31, 2006 .....	36,984,088,000.00
June 30, 1959 .....	1,402,074,237.64	Dec. 31, 2007 .....	39,429,371,000.00
June 30, 1960 .....	1,439,285,742.07	Dec. 31, 2008 .....	41,776,182,000.00

# State-Chartered Banks

## Consolidated Condition and Income Data

	12/31/2008	12/31/2007
Number of institutions reporting	156	161

### AGGREGATE CONDITION AND INCOME DATA

*(Dollar Amounts in Millions with 000s Omitted)*

Net income	305	389
Total assets	41,776	39,424
Earning assets	38,240	36,215
Total loans and leases	29,814	28,336
Other real estate owned	137	74
Total deposits	32,670	30,792
Equity capital	4,093	4,027

### PERFORMANCE RATIOS %

Yield on earning assets	6.45	7.20
Cost of funding earning assets	2.60	3.34
Net interest margin	3.85	3.87
Noninterest income to average earning assets	1.09	1.07
Noninterest expense to average earning assets	3.27	3.21
Net charge-offs to loans and leases	0.42	0.25
Credit-loss provision to net charge-offs	131.68	130.30
Net operating income to average assets	0.89	1.03
Retained earnings to average equity	1.73	3.43
Pre-tax return on assets	0.97	1.35
Return on assets	0.76	1.02
Return on equity	7.59	9.99
Percent of unprofitable institutions	15.38	7.45
Percent of institutions with earning gains	33.97	47.83

### CONDITION RATIOS %

Net loans and leases to assets	70.26	71.01
Loss allowance to:		
Loans and leases	1.24	1.20
Noncurrent loans and leases	87.86	104.27
Noncurrent loans and leases to total loans and leases	1.42	1.15
Nonperforming assets to assets	1.34	1.01
Core deposits to total liabilities	68.77	68.79
Equity capital to total assets	9.77	10.21
Core capital (leverage) ratio	9.37	9.57
Total capital to risk-weighted assets	13.93	13.98

# State-Chartered Banks

## Total Assets

INSTITUTION NAME	CITY	TOTAL ASSETS
		<i>(Dollar Amounts in Thousands with 000s Omitted)</i>
Peoples Bank and Trust Company of Clinton County	Albany	29,652
Citizens Deposit Bank of Arlington Inc.	Arlington	158,073
Town Square Bank Inc.	Ashland	146,199
Auburn Banking Company	Auburn	62,380
Kentucky Home Bank	Bardstown	98,071
Town & Country Bank and Trust Company	Bardstown	451,699
Wilson & Muir Bank & Trust Company	Bardstown	339,776
Bedford Loan & Deposit Bank	Bedford	75,723
Community Financial Services Bank	Benton	453,083
Peoples Bank and Trust Company of Madison County	Berea	392,343
Farmers State Bank	Booneville	47,989
American Bank & Trust Company Inc.	Bowling Green	207,073
Citizens First Bank Inc.	Bowling Green	354,534
South Central Bank of Bowling Green Inc.	Bowling Green	225,585
Meade County Bank	Brandenburg	126,124
Bank of Edmonson County	Brownsville	197,375
Bank of Buffalo	Buffalo	62,106
Citizens Bank of Cumberland County Inc.	Burkesville	77,704
Bank of Cadiz and Trust Company	Cadiz	94,551
United Citizens Bank & Trust Company	Campbellsburg	84,528
Citizens Bank & Trust Company	Campbellsville	163,459
Taylor County Bank	Campbellsville	126,934
Farmers & Traders Bank of Campton	Campton	43,244
Bank of Caneyville	Caneyville	42,045
Deposit Bank of Carlisle	Carlisle	75,318
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	136,990
The Cecilian Bank	Cecilia	344,656
King Southern Bank	Chaplin	168,195
Bank of Clarkson	Clarkson	114,048
Clinton Bank	Clinton	46,861
First Community Bank of Western Kentucky Inc.	Clinton	68,616
Bank of Columbia	Columbia	120,216
United Citizens Bank of Southern Kentucky	Columbia	135,124
Hometown Bank of Corbin Inc.	Corbin	132,230
The Bank of Kentucky Inc.	Crestview Hills	1,313,851
The Harrison Deposit Bank and Trust Company	Cynthiana	57,324
Dixon Bank	Dixon	68,049
Bank of Ohio County Inc.	Dundee	83,209
First Citizens Bank	Elizabethtown	289,203
First Federal Savings Bank of Elizabethtown	Elizabethtown	1,052,047
Kentucky Neighborhood Bank	Elizabethtown	118,554

# State-Chartered Banks

## Total Assets

INSTITUTION NAME	CITY	TOTAL ASSETS
<i>(Dollar Amounts in Thousands with 000s Omitted)</i>		
South Central Bank of Hardin County Inc.	Elizabethtown	70,216
Elkton Bank & Trust Company	Elkton	111,474
Farmers Deposit Bank	Eminence	65,571
Heritage Bank Inc.	Erlanger	355,578
United Kentucky Bank of Pendleton County Inc.	Falmouth	30,177
Peoples Bank of Kentucky Inc.	Flemingsburg	183,402
First Security Trust Bank Inc.	Florence	115,290
American Founders Bank Inc.	Frankfort	542,682
Farmers Bank & Capital Trust Company	Frankfort	584,541
<b>The Bankers' Bank of Kentucky Inc.</b>	Frankfort	59,328
Franklin Bank & Trust Company	Franklin	295,685
Fredonia Valley Bank	Fredonia	69,776
Edmonton State Bank	Glasgow	397,380
South Central Bank of Barren County Inc.	Glasgow	291,713
The Commercial Bank of Grayson	Grayson	162,124
The Farmers Bank	Hardinsburg	90,426
The Bank of Harlan	Harlan	135,333
Citizens Bank	Hartford	22,077
Commonwealth Community Bank Inc.	Hartford	154,822
Hancock Bank & Trust Company	Hawesville	299,759
1st Trust Bank Inc.	Hazard	100,732
Peoples Bank & Trust Company of Hazard	Hazard	279,896
Ohio Valley Financial Group	Henderson	221,404
The Bank of Henderson Inc.	Henderson	51,676
The Citizens Bank	Hickman	94,968
Bank of Hindman	Hindman	155,863
Planters Bank Inc.	Hopkinsville	429,434
United Southern Bank	Hopkinsville	212,654
Hyden Citizens Bank	Hyden	123,271
Inez Deposit Bank	Inez	106,847
First State Bank	Irvington	138,913
First Security Bank of Kentucky	Island	40,289
Citizens Bank & Trust Co. of Jackson	Jackson	111,744
Bank of Jamestown	Jamestown	153,943
The Kevil Bank	Kevil	28,747
The Bank - Oldham County Inc.	Lagrange	137,356
Century Bank of Kentucky Inc.	Lawrenceburg	128,481
Lawrenceburg Bank and Trust Company	Lawrenceburg	256,227
Peoples Bank	Lebanon	52,095
Leitchfield Deposit Bank & Trust Company	Leitchfield	97,506
Lewisburg Banking Company	Lewisburg	66,030

# State-Chartered Banks

## Total Assets

INSTITUTION NAME	CITY	TOTAL ASSETS
<i>(Dollar Amounts in Thousands with 000s Omitted)</i>		
Bank of Lexington Inc.	Lexington	114,067
Bank of the Bluegrass and Trust Company	Lexington	238,653
Central Bank & Trust Co.	Lexington	1,503,694
Whitaker Bank	Lexington	1,418,103
The Casey County Bank Inc.	Liberty	147,695
Louisa Community Bank	Louisa	20,547
Peoples Security Bank	Louisa	50,597
Central Bank of Jefferson County	Louisville	178,373
Commonwealth Bank and Trust Company	Louisville	697,836
Eclipse Bank Inc.	Louisville	97,081
Louisville Community Development Bank	Louisville	31,087
PBI Bank	Louisville	1,734,399
Republic Bank & Trust Company	Louisville	3,253,360
River City Bank Inc.	Louisville	251,427
Stock Yards Bank & Trust Company	Louisville	1,625,049
The First Capital Bank of Kentucky	Louisville	430,902
First United Bank and Trust Company	Madisonville	203,984
Magnolia Bank Inc.	Magnolia	119,655
Farmers Bank and Trust Company	Marion	135,483
The Peoples Bank	Marion	27,487
First Guaranty Bank	Martin	55,265
First Kentucky Bank Inc.	Mayfield	353,037
FNB Bank Inc.	Mayfield	174,549
Bank of Maysville	Maysville	111,260
Security Bank and Trust Co.	Maysville	46,421
Jackson County Bank	McKee	129,552
Farmers Deposit Bank of Middleburg Inc.	Middleburg	44,394
Home Federal Bank Corporation	Middlesboro	339,606
The Farmers Bank of Milton	Milton	142,990
The Monticello Banking Company	Monticello	543,457
The Citizens Bank	Morehead	108,401
United Community Bank of West Kentucky Inc.	Morganfield	126,793
Morgantown Bank & Trust Company Inc.	Morgantown	134,525
Traditional Bank Inc.	Mount Sterling	920,451
Citizens Bank	Mount Vernon	125,760
The Peoples Bank	Mount Washington	83,986
Hart County Bank and Trust Company	Munfordville	27,550
Citizens Bank of Northern Kentucky Inc.	Newport	274,310
The Farmers Bank	Nicholasville	85,808
First Security Bank of Owensboro Inc.	Owensboro	179,830

# State-Chartered Banks

## Total Assets

INSTITUTION NAME	CITY	TOTAL ASSETS
<i>(Dollar Amounts in Thousands with 000s Omitted)</i>		
Independence Bank of Kentucky	Owensboro	802,929
South Central Bank of Daviess County Inc.	Owensboro	170,752
First Farmers Bank and Trust Company	Owenton	103,335
Peoples Bank & Trust Company	Owenton	78,062
Owingsville Banking Company	Owingsville	66,400
The Paducah Bank and Trust Company	Paducah	494,094
Kentucky Bank	Paris	679,193
Community Trust Bank Inc.	Pikeville	3,009,531
First State Financial Inc.	Pineville	403,094
The First Commonwealth Bank of Prestonsburg Inc.	Prestonsburg	169,714
Farmers Bank and Trust Company, Princeton, Ky.	Princeton	94,899
West Point Bank	Radcliff	110,188
Citizens Guaranty Bank	Richmond	116,488
Madison Bank	Richmond	140,207
First & Peoples Bank	Russell	191,489
The Sacramento Deposit Bank	Sacramento	63,954
The Salt Lick Deposit Bank	Salt Lick	84,569
Sebree Deposit Bank	Sebree	22,990
Citizens Union Bank of Shelbyville	Shelbyville	634,107
The Peoples Bank of Bullitt County	Shepherdsville	187,970
Cumberland Security Bank Inc.	Somerset	185,162
Springfield State Bank	Springfield	212,570
PBK Bank Inc.	Stanford	120,420
Peoples Exchange Bank	Stanton	296,403
The Peoples Bank	Taylorsville	98,136
South Central Bank of Monroe County	Tompkinsville	119,329
Citizens Deposit Bank & Trust	Vanceburg	125,070
First Community Bank	Vanceburg	23,834
United Bank & Trust Company	Versailles	790,603
Bank of the Mountains Inc.	West Liberty	66,696
Commercial Bank	West Liberty	123,566
Bank of McCreary County	Whitley City	133,356
Grant County Deposit Bank	Williamstown	103,327
Alliance Banking Company	Winchester	56,150
	Total	\$41,776,182

# State-Chartered Independent Trust Companies

NAME	CITY	TRUST ASSETS
<i>(Dollar Amounts in Thousands with 000s Omitted)</i>		
Kentucky Trust Company	Danville	343,783
Community Trust & Investment Company	Lexington	1,037,594
1st Kentucky Trust	Louisville	343,783
Glenview Trust Company	Louisville	2,133,771
Hilliard Lyons Trust Company	Louisville	1,989,848
Louisville Trust Company	Louisville	136,02
	Total Assets	5,984,800





# State Bank Trust Departments

## Trust Assets

BANK	CITY	TOTAL TRUST ASSETS
------	------	--------------------

*(Dollar Amounts in Thousands with 000s Omitted)*

Town & Country Bank and Trust Company	Bardstown	218,836
Wilson & Muir Bank & Trust Company	Bardstown	109
Community Financial Services Bank	Bento	1,019
Bank of Cadiz and Trust Company	Cadiz	8,702
Deposit Bank of Carlisle	Carlisle	325
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	42,782
Clinton Bank	Clinton	2,184
The Bank of Kentucky Inc.	Crestview Hills	175,967
The Harrison Deposit Bank and Trust Company	Cynthiana	3,553
First Citizens Bank	Elizabethtown	130,964
Elkton Bank & Trust Company	Elkton	6,640
Peoples Bank of Kentucky Inc.	Flemingsburg	5,296
Farmers Bank & Capital Trust Company	Frankfort	253,161
Franklin Bank & Trust Company	Franklin	197
The Bank of Harlan	Harlan	3,097
Commonwealth Community Bank Inc.	Hartford	600
Hancock Bank & Trust Company	Hawesville	11,581
Peoples Bank & Trust Company of Hazard	Hazard	24,551
Ohio Valley Financial Group	Henderson	210,040
The Citizens Bank	Hickman	3,665
Planters Bank Inc.	Hopkinsville	99,551
First Security Bank of Kentucky	Island	535
Citizens Bank & Trust Co. of Jackson	Jackson	7,163
Bank of the Bluegrass and Trust Company	Lexington	78,225
Central Bank & Trust Co.	Lexington	571,987
Whitaker Bank	Lexington	638
Commonwealth Bank and Trust Company	Louisville	706,218
PBI Bank	Louisville	227,845
Republic Bank & Trust Company	Louisville	357,820
Stock Yards Bank & Trust Company	Louisville	1,243,182
First United Bank and Trust Company	Madisonville	11,936
Farmers Bank and Trust Company	Marion	1,418
Bank of Maysville	Maysville	16,902
The Monticello Banking Company	Monticello	47,045
United Community Bank of West Kentucky Inc.	Morganfield	2,223

# State Bank Trust Departments Trust Assets

BANK	CITY	TOTAL TRUST ASSETS
<i>(Dollar Amounts in Thousands with 000s Omitted)</i>		
Morgantown Bank & Trust Company Inc.	Morgantown	4,383
Hart County Bank and Trust Company	Munfordville	2,413
Citizens Bank of Northern Kentucky Inc.	Newport	28,562
Independence Bank of Kentucky	Owensboro	209,857
Peoples Bank & Trust Company	Owenton	589
The Paducah Bank and Trust Company	Paducah	100,082
Kentucky Bank	Paris	87,273
Community Trust Bank Inc.	Pikeville	64,360
Farmers Bank and Trust Company, Princeton, Ky.	Princeton	9,792
First & Peoples Bank	Russell	38,491
Citizens Union Bank of Shelbyville	Shelbyville	1,256
Cumberland Security Bank Inc.	Somerset	1,620
Grant County Deposit Bank	Williamstown	2,311
	Total	5,026,946



# Bank Changes 2008

## CONVERSIONS

10/15/08 Henderson National Bank, Henderson, Ky., converted to a state bank charter (The Bank of Henderson, Henderson, Ky.)

## NEW CHARTERS

3/24/08 Hilliard Lyons Trust Company LLC, Louisville, Ky.

## MERGERS

2/16/08 First & Farmers Bank, Albany, Ky., merged into First & Farmers National Bank, Somerset, Ky.

4/1/08 Community First Bank (Federal Savings & Loan), Madisonville, Ky., merged with and into Hancock Bank & Trust Company, Hawesville, Ky.

7/1/08 State Bank & Trust Company, Harrodsburg, Ky., merged into Whitaker Bank, Lexington, Ky.

8/8/08 Citizens Bank of New Liberty, New Liberty, Ky., merged into First Farmers Bank & Trust Company, Owenton, Ky.

11/1/08 Citizens Bank of Jessamine County, Inc., Nicholasville, Ky., and The Farmers Bank & Trust Company, Georgetown, Ky., merged into United Bank & Trust Company, Versailles, Ky.

11/15/08 1<sup>st</sup> Independence Bank, Louisville, Ky., merged into MainSource Bank, Greensburg, Ind.

# Credit Union Branch

CREDIT UNION BRANCH

75<sup>th</sup> ANNUAL CREDIT UNION REPORT

The Credit Union Branch supervises the activities of 26 Kentucky state-chartered credit unions, ranging in size from \$612,686 to \$833,512,961. The total assets under supervision by the Credit Union Branch are \$1,539,537,367. Total asset growth was positive at 10.98 percent as compared to the previous year of 6.34 percent.

The number of Kentucky state-chartered credit unions continues to decline as a result of mergers. The Department of Financial Institutions received two merger applications in 2008. Kentucky Conference Credit Union, Lexington, Ky., merged into Members Heritage Federal Credit Union, Lexington, Ky. Also, Louisville District US Engineers Employees Credit Union, Louisville, Ky., merged into Kentucky Telco Federal Credit Union, Louisville, Ky.

Kentucky state-chartered credit unions remain financially strong. Declines are noted in both the net worth ratio and the return on average assets ratio. Additionally, delinquency and net charge-offs have increased. The delinquent loans to total loans ratio of 1.25 percent and the net charge-offs to average loans ratio of 0.79 percent are both at 10 year historical highs.

The net long-term asset ratio has steadily increased and is currently at 18.78 percent. While this ratio is below the region and the nation, this represents a potential increase in interest rate risk exposure.

Loan growth for credit unions continues to be in the real estate segment, which accounts for 43 percent of total loans. The real estate loan portfolio increased by 11.32 percent, while negative loan growth was experienced in unsecured and other loans.



# State-Chartered Credit Unions Annual Consolidated Statement of Assets

YEAR	TOTAL ASSETS	YEAR	TOTAL ASSETS
June 30, 1934	391,943	June 30, 1972	81,246,995
June 30, 1935	725,535	June 30, 1973	91,221,819
June 30, 1936	1,249,342	June 30, 1974	100,937,750
June 30, 1937	1,660,520	June 30, 1975	113,438,105
June 30, 1938	1,696,127	June 30, 1976	129,079,696
June 30, 1939	2,057,015	June 30, 1977	147,094,455
June 30, 1940	*	June 30, 1978	169,281,627
June 30, 1941	3,146,257	June 30, 1979	176,261,333
June 30, 1942	3,251,825	June 30, 1980	170,888,349
June 30, 1943	2,982,267	June 30, 1981	198,916,832
June 30, 1944	3,088,248	June 30, 1982	190,721,775
June 30, 1945	3,505,257	June 30, 1983	226,257,290
June 30, 1946	4,144,653	June 30, 1984	270,077,766
June 30, 1947	4,995,675	June 30, 1985	324,359,567
June 30, 1948	6,083,221	June 30, 1986	465,930,836
June 30, 1949	7,107,044	June 30, 1987	534,721,314
June 30, 1950	8,334,194	June 30, 1988	522,854,417
June 30, 1951	8,179,622	Dec. 31, 1988	486,976,000
June 30, 1952	10,516,625	Dec. 31, 1989	482,857,000
June 30, 1953	12,623,784	Dec. 31, 1990	509,758,691
June 30, 1954	14,781,357	Dec. 31, 1991	554,628,084
June 30, 1955	16,702,656	Dec. 31, 1992	610,893,902
June 30, 1956	19,107,017	Dec. 31, 1993	643,540,808
June 30, 1957	21,437,514	Dec. 31, 1994	670,077,079
June 30, 1958	23,623,385	Dec. 31, 1995	697,585,006
June 30, 1959	26,447,334	Dec. 31, 1996	726,727,477
June 30, 1960	27,979,449	Dec. 31, 1997	782,580,308
June 30, 1961	29,357,256	Dec. 31, 1998	855,559,615
June 30, 1962	31,739,280	Dec. 31, 1999	897,712,452
June 30, 1963	34,501,791	Dec. 31, 2000	957,541,750
June 30, 1964	39,301,082	Dec. 31, 2001	1,081,872,980
June 30, 1965	43,391,089	Dec. 31, 2002	1,157,171,468
June 30, 1966	46,430,845	Dec. 31, 2003	1,246,656,550
June 30, 1967	50,065,518	Dec. 31, 2004	1,273,660,697
June 30, 1968	53,669,699	Dec. 31, 2005	1,273,328,540
June 30, 1969	58,409,409	Dec. 31, 2006	1,304,569,417
June 30, 1970	64,297,546	Dec. 31, 2007	1,387,214,179
June 30, 1971	71,728,169	Dec. 31, 2008	\$1,539,537,367

\* No records are available for 1940

# State-Chartered Credit Unions

## Selected Composite Operating Ratios

CAPITAL ADEQUACY	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2005	Dec. 2004	
Net Worth/Total Assets	15.26	16.15	16.16	15.75	14.92	
Net Worth/Total Assets-Including Optional Total Assets Election (if used)	15.26	16.15	16.16	15.75	14.92	
Total Delinquent Loans/Net Worth	5.00	3.87	3.84	4.95	4.65	
Solvency Evaluation (Estimated)	118.28	119.54	119.52	118.79	117.64	
Classified Assets (Estimated)/Net Worth	3.44	3.65	3.94	4.05	3.83	
ASSET QUALITY						
Delinquent Loans/Total Loans	1.25	0.95	0.93	1.17	1.09	
* Net Charge-Offs/Average Loans	0.79	0.58	0.70	0.73	0.70	
Fair (Market) Held to Maturity Investment Value/Book Value Held to Maturity Investments	103.65	99.73	98.92	98.36	99.25	
Accumulated Unrealized Gain or Loss on Available For Sale/Cost of Available For Sale	1.54	1.34	-0.41	-2.05	-1.07	
Delinquent Loans/Assets	0.76	0.63	0.62	0.78	0.69	
EARNINGS						
* Return On Average Assets	0.76	1.08	0.92	0.82	0.89	
* Gross Income/Average Assets	7.49	7.92	7.43	6.71	6.13	
* Yield on Average Loans	7.57	7.63	7.26	6.97	6.97	
* Yield on Average Investments	4.15	4.77	4.06	2.89	2.33	
* Fee and Other Operating Income/Average Assets	1.38	1.48	1.42	1.30	1.00	
* Cost of Funds/Average Assets	2.47	2.74	2.41	1.82	1.48	
* Net Margin/Average Assets	5.02	5.17	5.02	4.89	4.65	
* Operating Expenses/Average Assets	3.79	3.70	3.61	3.53	3.42	
* Provision For Loan and Lease Losses/Average Assets	0.48	0.38	0.49	0.55	0.37	
* Net Interest Margin/Average Assets	3.64	3.69	3.60	3.59	3.65	
Operating Expenses/Gross Income	50.58	46.78	48.59	52.52	55.73	
Fixed Assets and Foreclosed and Repossessed Assets/Total Assets **	2.46	2.42	2.35	2.37	2.47	
* Net Operating Expenses/Average Assets	2.93	2.71	2.64	2.64	2.79	
ASSET/LIABILITY MANAGEMENT						
Net Long-Term Assets/Total Assets	18.78	18.53	16.14	15.03	12.36	
Regular Shares/Total Shares and Borrowings	47.61	43.99	49.32	54.36	58.16	
Total Loans/Total Shares	72.56	79.12	81.11	79.85	75.34	
Total Loans/Total Assets	60.92	65.60	67.13	66.68	63.55	
Cash + Short-Term Investments/Assets	19.31	16.77	16.41	5.47	5.93	
Total Shares, Deposits and Borrowings/Earning Assets	88.09	87.02	87.40	87.90	88.84	
Regular Shares + Share Drafts/Total Shares and Borrowings		53.51	53.14	58.92	63.66	67.05
Borrowings/Total Shares and Net Worth	0.01	0.00	0.44	0.22	0.30	

# State-Chartered Credit Unions

## Selected Composite Operating Ratios

PRODUCTIVITY	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2005	Dec. 2004
Members/Potential Members	16.85	17.23	17.15	17.36	17.58
Borrowers/Members	64.85	63.10	63.15	62.92	59.60
Members/Full-Time Employees	377.32	397.49	407.19	405.68	407.44
Average Shares Per Member	\$6,140	\$5,285	\$4,979	\$4,922	\$4,961
Average Loan Balance	\$6,870	\$6,627	\$6,395	\$6,247	\$6,272
* Salary And Benefits/Full-Time Employees	\$54,371	\$52,888	\$50,119	\$47,030	\$45,317
OTHER RATIOS					
* Net Worth Growth	4.87	6.26	5.13	5.54	6.26
* Market (Share) Growth	12.38	6.54	1.53	-1.03	1.32
* Loan Growth	3.07	3.92	3.14	4.89	4.97
* Asset Growth	10.98	6.34	2.45	-0.03	2.17
* Investment Growth	28.60	12.53	0.60	-9.97	-3.74
* Membership Growth	-3.25	0.37	0.37	-0.24	1.06

\* Annualization factor: March = 4; June = 2; September = 4/3; December = 1 (or no annualizing)

Percentile Rankings and Peer Average Ratios are produced once a quarter after the data collection is complete. Percentile Rankings show where the credit union stands in relation to its peers in key areas of performance. To arrive at the percentile ranking, all data for all credit unions in a peer group are arranged in order from highest (100) to lowest (0) value. The percentile ranking assigned to the credit union is a measure of the relative standing of that ratio in the entire range of ratios. A high or low ranking does not imply good or bad performance. However, when reviewed in relation to other available data, users may draw conclusions as to the importance of the **percentile rank to the credit union's financial performance.**

\*\* For periods before 2004, the fixed assets and foreclosed and repossessed assets did not include repossessed vehicles.

# State-Chartered Credit Unions

## Report of Condition

CHARTER	NAME	CITY	YEAR OPENED	TOTAL ASSETS
60883	Beacon Community	Louisville	1947	34,175,502
61123	Louisville Gas and Electric Company	Louisville	1934	20,543,096
61166	Fancy Farm	Fancy Farm	1957	7,621,269
61204	B.C.B.S.	Louisville	1952	5,759,068
61316	Tarcana	Louisville	1936	2,781,956
61437	Commonwealth	Frankfort	1951	717,398,309
61693	Rural Cooperatives	Louisville	1964	32,866,016
61738	Paducah City Employees	Paducah	1961	2,170,254
61772	Louisville Metro Police Officers	Louisville	1942	9,340,022
61792	Ashland	Ashland	1942	130,374,305
62026	Members Choice	Ashland	1932	107,192,552
62089	Kitco Employees	Louisville	1944	3,304,528
62228	Greater Kentucky Credit Union	Lexington	1953	55,813,636
62303	Letcher County Teachers	Whitesburg	1964	1,063,446
62358	Kemba Louisville	Louisville	1934	36,772,862
62370	Lexington Postal	Lexington	1928	15,141,174
62389	Berea	Berea	1923	1,345,409
62431	Kentucky Employees	Frankfort	1938	43,043,599
62432	Whitesville Community	Whitesville	1962	11,821,185
62433	Louisville Federal	Louisville	1924	28,995,902
62482	Brown-Forman Employees	Louisville	1936	7,151,850
62484	Service One	Bowling Green	1963	81,568,075
62485	Louisville District U.S. Engineer EMP	Louisville	1935	3,239,955
62490	Muhlenberg Community Hospital	Greenville	1961	559,138
62559	Alcan Employees	Louisville	1948	1,998,518
62587	C&O United	Edgewood	1928	11,740,507
62625	Kentucky Conference	Lexington	1963	563,679
63058	Metro Employees	Lexington	1940	12,868,367
			Total	\$1,387,214,179



# Compliance Branch

## 12TH ANNUAL COMPLIANCE BRANCH REPORT

The Compliance Branch is responsible for licensing and regulating mortgage companies and brokers, check cashers/payday lenders, consumer and industrial loan companies, and money transmitters. Additionally, the Compliance Branch is responsible for overseeing and resolving complaints against financial institutions and the individuals and companies it regulates and licenses. As of Dec. 31, 2008, the branch supervised 1,777 licensees and 2,297 individual mortgage loan officers. Below is a breakdown of the number and type of licenses regulated by DFI's Compliance Branch and also a breakdown of complaints received against the various groups.

License Type	Dec. 31, 2008 # Of Licensees	Dec. 31, 2007 # Of Licensees
Mortgage Companies	296	348
Mortgage Brokers	263	385
Check Cashers	781	801
Consumer Loan Companies	349	359
Industrial Loan Companies	49	64
Money Transmitters	39	38
Total	1,777	1,995

License Type	Complaints 2008	Complaints 2007
Mortgage Companies	68	47
Mortgage Brokers	124	92
Check Cashers	27	30
Consumer Loan Companies	68	47
Industrial Loan Companies	0	0
Sale of Checks/Money Transmitters	0	0
HUD Mortgage Brokers/Companies	52	52
Total	339	268

# Compliance Branch

The Compliance Branch is staffed with 10 examiners and two investigators. The examiners are highly trained and attend various conferences and continuing education schools related to their specialty fields. The continuing education and conferences provide timely updates to the Compliance Branch staff on the changes in federal laws and regulations.

By Kentucky Statute, check cashers, consumer loan and industrial loan companies are examined annually by the Compliance Branch. Mortgage companies, mortgage brokers and money transmitters are typically examined every 18 to 24 months, however, the frequency is not governed by state statute.

In 2008, the Compliance Branch staff completed a total of 1,366 examinations. The branch assessed a total of \$460,350 in fines. A breakdown of the examinations performed by type is listed below.

License Type	# Of Examinations
Mortgage Companies	47
Mortgage Brokers	125
Check Cashers	773
Consumer Loan Companies	348
Industrial Loan Companies	57
Money Transmitters	16
Total	1,366

# Consumer Loan Companies

## Annual Consolidated Statement of Assets

YEAR	TOTAL ASSETS
Dec. 31, 1970.....	\$215,167,905
Dec. 31, 1971.....	226,157,998
Dec. 31, 1972.....	239,477,617
Dec. 31, 1973.....	245,215,588
Dec. 31, 1974.....	229,683,167
Dec. 31, 1975.....	208,570,020
Dec. 31, 1976.....	211,463,297
Dec. 31, 1977.....	239,296,246
Dec. 31, 1978.....	268,373,094
Dec. 31, 1979.....	293,273,325
Dec. 31, 1980.....	259,294,136
Dec. 31, 1981.....	211,028,452
Dec. 31, 1982.....	232,543,585
Dec. 31, 1983.....	321,540,852
Dec. 31, 1984.....	382,601,061
Dec. 31, 1985.....	421,405,340
Dec. 31, 1986.....	493,127,698
Dec. 31, 1987.....	566,180,285
Dec. 31, 1988.....	640,725,342
Dec. 31, 1989.....	667,957,592
Dec. 31, 1990.....	696,270,222
Dec. 31, 1991.....	730,091,564
Dec. 31, 1992.....	761,442,628
Dec. 31, 1993.....	822,215,474
Dec. 31, 1994.....	852,349,610
Dec. 31, 1995.....	842,469,339
Dec. 31, 1996.....	892,877,819
Dec. 31, 1997.....	690,503,783
Dec. 31, 1998.....	675,952,908
Dec. 31, 1999.....	728,313,360
Dec. 31, 2000.....	715,191,067
Dec. 31, 2001.....	587,058,850
Dec. 31, 2002.....	641,252,164
Dec. 31, 2003.....	684,177,846
Dec. 31, 2004.....	739,568,188
Dec. 31, 2005.....	871,268,224
Dec. 31, 2006.....	994,264,130
Dec. 31, 2007.....	972,275,768
Dec. 31, 2008.....	884,938,008

# Consumer Loan Companies

## Consolidated Report of Condition

State Totals	349 Consumer Loan Companies		359 Consumer Loan Companies
ASSETS	Dec. 31, 2008	Change	Dec. 31, 2007
Cash and Due from Depositor Institutions	5,309,745	-35.26%	8,201,881
Total Loans Receivable, Net of Unearned Interest and Reserves	829,624,351	-9.79%	919,672,367
Premises and Fixed Assets (Net of Depreciation)	6,898,363	9.76%	6,285,163
Deferred Charges and Prepaid Expenses	1,539,720	-11.69%	1,743,603
Other Assets Used in Consumer Loan Business	41,565,829	14.28%	36,372,754
<b>Total Assets Used in Consumer Loan Business</b>	<b>884,938,008</b>	<b>-8.98%</b>	<b>972,275,768</b>
<b>LIABILITIES and CAPITAL or NET WORTH</b>			
Total Liabilities	703,920,141	-3.74%	731,299,816
Total Capital	181,017,867	-24.88%	240,975,952
<b>Total Liabilities and Capital or Net Worth</b>	<b>884,938,008</b>	<b>-8.98%</b>	<b>972,275,768</b>
Residential Real Estate Loans > \$15,000	724,258,185		
<b>OUT-OF-STATE MORTGAGE COMPANIES HOLDING CONSUMER LICENSES</b>			
Total Assets	50,659,791		56,623,930
Total Liabilities	43,872,584		50,397,099
Total Capital	6,787,207		6,226,831
<b>Total Liabilities and Capital or Net Worth</b>	<b>50,659,791</b>		<b>56,623,930</b>

# Industrial Loan Companies

## Annual Consolidated Statement of Assets

YEAR	TOTAL ASSETS	YEAR	TOTAL ASSETS
June 29, 1946 .....	\$432,786	June 30, 1984 .....	45,051,556
June 30, 1947 .....	843,587	June 30, 1985 .....	61,357,110
June 30, 1948 .....	1,207,448	June 30, 1986 .....	47,118,841
June 30, 1949 .....	998,520	June 30, 1987 .....	19,930,854
June 30, 1950 .....	725,995	June 30, 1988 .....	3,579,048
June 30, 1951 .....	1,002,486	Dec. 31, 1988 .....	33,707,258
June 30, 1952 .....	1,260,935	Dec. 31, 1989 .....	66,185,013
June 30, 1953 .....	1,197,125	Dec. 31, 1990 .....	60,216,163
June 30, 1954 .....	1,145,154	Dec. 31, 1991 .....	93,265,336
June 30, 1955 .....	1,337,078	Dec. 31, 1992 .....	70,626,327
June 30, 1956 .....	3,351,255	Dec. 31, 1993 .....	36,242,155
June 29, 1957 .....	6,674,101	Dec. 31, 1994 .....	17,161,759
June 30, 1958 .....	7,624,233	Dec. 31, 1995 .....	13,559,113
June 30, 1959 .....	12,027,595	Dec. 31, 1996 .....	13,841,777
June 30, 1960 .....	25,016,928	Dec. 31, 1997 .....	13,346,139
June 30, 1961 .....	29,533,306	Dec. 31, 1998 .....	8,854,581
June 30, 1962 .....	38,986,576	Dec. 31, 1999 .....	3,184,487
June 29, 1963 .....	47,926,026	Dec. 31, 2000 .....	12,700,424
June 30, 1964 .....	62,498,295	Dec. 31, 2001 .....	12,013,001
June 30, 1965 .....	74,443,666	Dec. 31, 2002 .....	16,861,557
June 30, 1966 .....	83,269,104	Dec. 31, 2003 .....	7,106,807
June 30, 1967 .....	92,253,814	Dec. 31, 2004 .....	7,727,195
June 30, 1968 .....	106,979,831	Dec. 31, 2005 .....	22,308,961
June 30, 1969 .....	118,607,417	Dec. 31, 2006 .....	23,315,243
June 30, 1970 .....	128,303,693	Dec. 31, 2007 .....	20,195,678
June 30, 1971 .....	130,666,763	Dec. 31, 2008 .....	\$11,036,427
June 30, 1972 .....	144,585,041		
June 30, 1973 .....	182,173,895		
June 30, 1974 .....	212,063,191		
June 30, 1975 .....	203,572,673		
June 30, 1976 .....	208,046,246		
June 30, 1977 .....	224,959,496		
June 30, 1978 .....	238,484,239		
June 30, 1979 .....	268,877,377		
June 30, 1980 .....	254,058,175		
June 30, 1981 .....	255,953,218		
June 30, 1982 .....	165,942,225		
June 30, 1983 .....	69,058,748		

# Industrial Loan Companies

## Consolidated Report of Condition

State Totals	49 Industrial Loan Companies		64 Industrial Loan Companies
ASSETS	DEC. 31, 2008	CHANGE	DEC. 31, 2007
Cash on hand	0	0.00%	0
Cash in Depository Institutions	0	-100.00%	40,249
Industrial Loans	1,181,657	-83.15%	7,014,455
Other Loans	10,810,136	17.01%	9,238,322
Total Loans	11,991,793	-26.22%	16,252,777
Less: Unearned Interest	3,973	-93.48%	60,966
Reserve for Loan Loss	1,026,422	79.75%	571,027
Loans, Net of Unearned Interest and Reserves	10,961,398	-29.83%	15,620,784
Premises and Fixed Assets	0	NA	0
Other Assets	75,029	-98.35%	4,534,64
<b>Total Assets</b>	<b>11,036,427</b>	<b>-45.35%</b>	<b>20,195,678</b>
<b>Liabilities</b>			
Certificates of Investment	0	0.00%	0
Other Borrowed Money	8,364,024	-29.20%	11,813,665
Other Liabilities	27,599	-52.05%	57,556
Total Liabilities	8,391,623	-29.31%	11,871,221
Equity Capital			
Capital Stock	1,102,100	-11.83%	1,250,000
Surplus and Undivided Profits	1,199,105	-93.52%	18,499,720
Current Earnings	343,599	-103.01%	-11,425,263
Total Equity Capital	2,644,804	-68.23%	8,324,457
<b>Total Liabilities and Equity Capital</b>	<b>11,036,427</b>	<b>-45.35%</b>	<b>20,195,67</b>

# Division of Securities

23rd ANNUAL

## SECURITIES REPORT

The mission of the Division of Securities is to 1) protect investors through the active implementation and application of Kentucky's securities laws in order to prevent investment fraud and related illegal conduct, and by taking remedial action, when possible, to mitigate the harm done to the investor, 2) educate the investing public about investment matters and making informed investment decisions, and 3) provide investor protection without undue burden on the capital formation process.

To fulfill its investor protection mission, the Division of Securities performs a variety of functions intended to help ensure that securities transactions are effected in compliance with the Kentucky Securities Act, and that investors have the necessary material information with which to make informed investment decisions and select securities professionals with whom to entrust their money.



- **Licensing** – Employees in the Licensing and Registration Branch process applications for the registration of broker-dealers, investment advisers and their licensed employees. The licensing staff can deny the applications of firms and individuals who do not meet the requirements of the Kentucky securities laws. The licensing staff also responds to inquiries from the public concerning investment adviser or broker licensing status and disciplinary history.
- **Corporation Finance** – The corporation finance staff in the Licensing and Registration Branch process applications for the registration or exemption from registration of securities to be offered and sold in the commonwealth. The staff in this area also process notice filings by issuers of federally covered securities such as mutual funds. In addition, the corporation finance staff answers questions from the general public about the requirements for selling securities in Kentucky.
- **Compliance** – Examiners in the Compliance Branch perform announced and unannounced examinations of broker-dealers, investment advisers and issuers and their respective agents to determine compliance with Kentucky securities laws. Examiners also assist DFI's legal staff with administrative and civil actions the department may pursue against violators of the Securities Act.
- **Enforcement** – Investigators in the Enforcement Branch investigate allegations of securities fraud and related illegal conduct. In coordination with DFI's legal staff, the investigators assist with administrative and civil actions the department may pursue against alleged violators of the Securities Act. In addition, division investigators work closely with outside law enforcement agencies and assist securities investigators from sister states. The most serious cases are referred by the division to state and federal authorities for criminal prosecution.

The Securities Division supports the DFI staff in performing educational outreach to high school students and community groups about savings and investing, participates in financial literacy forums across the commonwealth, and distributes informational brochures on financial matters through public libraries, county cooperative extension agencies and other public venues.

# Broker-Dealers and Investment Advisers

## BROKER-DEALER COMPANIES HEADQUARTERED IN KENTUCKY 2008

Alexander Investment Services Co.	Louisville
Churchill Financial LLC	Louisville
Cypress Alts LLC	Louisville
Dupree & Company Inc.	Lexington
First Kentucky Securities Corporation	Frankfort
Investment Bank Services Inc.	Louisville
J.J.B. Hilliard, W. L. Lyons LLC	Louisville
Jefferson National Securities Corporation	Louisville
Lexington Investment Company Inc.	Lexington
Maxxtrade Inc.	Lexington
Nancy Barron & Associates Inc.	Lexington
NGAS Securities Inc.	Lexington
Oak River Investments Inc.	Fort Mitchell
Winebrenner Capital Partners LLC	Louisville

## INVESTMENT ADVISERS HEADQUARTERED IN KENTUCKY 2008

Alleghan Investment Management Inc.	Lexington
Archer Financial Planning LLC	Louisville
Aristides Capital LLC	Lexington
Beck Financial Management LLC	Crescent Springs
Bluegrass Capital Advisors LLC	Lexington
C3 Investment Partners LLC	Louisville
Capital Asset Management Corporation	Louisville
Capital Investment Management Inc.	Leitchfield
Carroll D. Sponcil, Registered Investment Advisor	Louisville
<b>Christina Vittitow O'Bryan, CFP</b>	Owensboro
Keepsake Management Inc.	Lexington
Churchill Financial LLC	Louisville
Civello Investment Advisory	Lebanon Junction
Clear Trace LLC	Peewee Valley
Coats Financial Planning Inc.	Louisville
Cole Management Inc.	Shelbyville
Commonwealth Financial Advisors LLC	Louisville
Dynamic Management Systems LLC	Henderson
E. Thomas & Associates	Williamstown
EDC Financial Services	Lexington
Eitel Investment Management	Louisville
Elkhorn Investment Management LLC	Midway
Financial Architects Inc.	Louisville
Financial Services Advisory Inc.	Louisville
Flynn Capital Advisors Inc.	Prospect
Focus on Success LLC	Ft. Mitchell
Garton & Associates Financial Advisors LLC	Louisville
Godby Wealth Management Inc.	Somerset
Harvey R. Little Jr. Financial Services	Berea
Heritage Financial Group Inc.	Paducah



# Broker-Dealers and Investment Advisers

## INVESTMENT ADVISERS HEADQUARTERED IN KENTUCKY 2008 (continued)

Highland Financial Management Inc. Invest Inc.	Elizabethtown Lexington
Investment Research Advisory Corp.	Louisville
Jesse Investment Advisors Inc.	Louisville
Key Market Research LLC	Louisville
Private Client Services LLC	Louisville
Lawrence J. Botzman CFP	Somerset
Lexington Investment Company, Inc.	Lexington
Life Advisors Financial Planning and Wealth Management LLC	Munfordville
Mackhouse LLC	Louisville
Mann Capital Management LLC	Ft. Mitchell
Marc E. Craft, P.S.C.	Lexington
Marshall Wealth Management Group	Louisville
MC Financial Services Inc.	Louisville
Merit National Fund Advisors LLC	Somerset
Moneytree Capital Management LLC	Morganfield
Moneywise Inc.	Lexington
Morgan Money Management Inc.	Paducah
Morton H. Sachs & Co.	Louisville
Nina M. Wyatt & Associates LLC	Owensboro
P5 Investment Management Inc.	Prospect
Painter Financial LLC	Greenville
Palmer Capital Management Inc.	Florence
Pierce Financial Planning Inc.	Lexington
Prime Solutions LLC	Henderson
Principled Wealth Advisors LLC	Covington
Regional Investment Advisors Inc.	Louisville
Resource Design Inc.	Edgewood
Retirement Tax Advisory Group	Lexington
Revolutionary Wealth Management Corp	Louisville
Robert M. Walker & Associates Inc.	Taylorsville
Scarce Services Inc.	Lexington
Sentinel Investment Advisory Services Inc.	Ashland
ShIPLEY Financial & Tax Advisors PLLC	Ft. Thomas
Tatro Capital LLC	Nicholasville
Teewinot Asset Management LLC	Lexington
TMFS- Lexington LLC	Lexington
The Wright Legacy Group LLC	Elizabethtown
Thomas Maurice Zalla, CPA, PhD	Ft. Wright
Thompson Investment Advisors Inc.	Louisville
Thurn Financial Planning LLC	Lexington
Melody W. Townsend dba Townsend Financial Planning	Mt. Sterling
Via Wealth Management Inc.	Campbellsville
Wealth Investment Network Inc.	Ft. Wright
Wealth Management Inc.	Bowling Green
WealthMD Corporation	Louisville
William Edward Sawyer dba Conservative Asset Management Inc.	Louisville
Cox Planning Services PLLC	Paducah
Wilson Financial Services Inc.	Williamstown
Winebrenner Investment Advisors LLC	Louisville
Witter & Westlake Investments Inc.	Louisville
Your CFO LLC	Lawrenceburg

# Securities Licensing

BROKER-DEALER REGISTRATIONS	DEC. 31, 2008	CHANGE	DEC. 31, 2007
New Applications (Form BD)	103		124
Approved	103		124
Withdrawals (Form BDW)	57		99
Total Registered (year end)	1,717	2.75%	1,671
BROKER-DEALER AGENT REGISTRATIONS			
New Applications (Form U-4)	2,500		2,753
Approved (includes new and transfers)	32,813		30,740
Terminated	33,616		25,595
Total Registered (year end)	85,706	0.61%	85,190
ISSUER AGENT REGISTRATIONS			
New Applications	73		387
Approved	86		329
Conditional	8		47
Withdrawals Without Registration	1		3
Total Registered (year end)	94	-16.07%	112
STATE INVESTMENT ADVISERS			
New Applications (Form ADV)	18		20
Approved	18		20
Withdrawals (Form ADV-W)	5		15
Total Registered (year end)	139	10.32%	126
FEDERAL COVERED INVESTMENT ADVISERS			
New Notice Filings	123		154
Withdrawals (Form ADV-W)	28		63
Total Effective Notice Filings	916		821
INVESTMENT ADVISER REPRESENTATIVES (IAR)			
New Applications (Form U-4/State)	76		66
New Applications (Form U-4/Federal)	990		1,133
Total State and Federal IARs (year end)	3,227		2,814

Fines \$3,750.00

# Securities Corporation Finance, Compliance and Enforcement

CORPORATION FINANCE                      DEC. 31, 2008                      CHANGE                      DEC. 31, 2007

## REGISTRATIONS

By Coordination	37		40
By Qualification	0		0
By Notification	0		1

## NOTICE FILINGS

Investment Companies - New	548		646
Investment companies - Renewals	4,000		3,755
Unit Investment Trusts	1056		961
Reg. D, Rule 506 Offerings	586		524

## EXEMPTIONS

Claims of Exemption Requested	54		55
Total Filings	6,261	-3.45%	6,485

## COMPLIANCE BRANCH

### EXAMINATIONS

Broker-Dealers exams	20		33
Orders/Agreements	7		2
Investor Adviser Exams	51		45
Issuer Agents	0		9
Total Examinations	71	-18.39%	87
Fines	\$107,169		NA

## ENFORCEMENT BRANCH

### INVESTIGATIONS

Referrals/Assistance to Outside Agency	7		12
Referrals from Outside Agency	6		6
Investigations Opened	46		42
Investigations Closed	27		36
Investigations Pending	41		36

### ENFORCEMENT ACTIONS

Administrative Orders	28		8
Civil Injunctions	3		9
Criminal Referrals (indictments)	3		7
Fines	\$120,991		\$75,000



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